

Internal Revenue Service
District Director

Department of the Treasury

Person to Contact:

Telephone Number:

Refer Reply to:

RE: [REDACTED]

Date: MAR 02 1993

Dear Sir or Madam:

We have considered your application for exemption from Federal income tax as an organization described in section 501(c)(6) of the Internal Revenue Code of 1986.

The information submitted discloses that you were incorporated under the nonprofit corporation laws of the State of [REDACTED] on [REDACTED].

Your purpose is to act as a trade association of retail dealers of [REDACTED] automobiles in the counties of [REDACTED] and [REDACTED], to promote mutual interests of your members, and to conduct advertising, selling and public relations campaigns pertaining to the various automobiles sold by your members.

Your primary activity is to combine advertising of [REDACTED] vehicles for the participating dealers. Advertising began in [REDACTED] and has continued henceforth. All advertising takes place in [REDACTED] for the benefit of all participating dealerships.

Section 501(c) of the Code describes certain organizations exempt from income tax under section 501(a) and reads, in part, as follows:

"(6) Business leagues, chambers of commerce, real-estate boards, boards of trade, or professional football leagues (whether or not administering a pension fund for football players), not organized for profit and no part of the net earnings of which inures to the benefit of any private shareholder or individual."

[REDACTED]

The regulations define a business league as an association of persons (the term "persons" includes legal entities such as trusts and corporations) having a common business interest, whose purpose is to promote the common business interest and not to engage in a regular business of a kind ordinarily carried on for profit. Its activities are directed to the improvement of business conditions of one or more lines of business rather than the performance of particular services for individual persons.

Revenue Ruling 67-77, 1967-1 C.B. 133, discussed an organization composed of dealers in a certain make of automobile in a designated area which is organized and operated for the primary purpose of financing general advertising campaigns to promote, with funds contributed by the dealer members, the sales of that make of automobile. This ruling holds that the organization is performing particular services for its members instead of the automotive industry as a whole and is not entitled to exemption as a business league under section 501(c)(6) of the Code.

Revenue Ruling 70-80, 1970-1 C.B. 130, states that a trade association of manufacturers whose principal activity is the promotion of its members' products under the association's registered trademark does not qualify for exemption under section 501(c)(6) of the Code.

In Revenue Ruling 56-84, 1956-1 C.B. 301, an organization operated primarily for the purpose of promoting, selling, and handling the national advertising in its members' publications is engaged in the performance of particular services for individual members as distinguished from activities for the improvement of the business conditions of its members as a whole and, therefore, is not entitled to exemption from federal income tax as a business league.

Your activities are similar to the activities of the organization described in Revenue Ruling 67-77. Providing advertising and promoting the automobiles and services of [REDACTED] dealers by cooperative advertising and promotion is not promoting a line of business but promoting a particular make of automobile, since the entire car industry is the line of business. You were formed to provide particular services for your members rather than the promotion of a common business interest.

[REDACTED]

Therefore, we have concluded that you do not qualify for exemption from Federal income tax as an organization described in section 501(c)(6) of the Code.

You agreed to this determination by signing Form 6018, Consent to Proposed Adverse Action, on [REDACTED].

Accordingly, you are required to file income tax returns annually with your District Director.

Sincerely yours,

[REDACTED]
District Director